



Schedule CGT

Capital Gains

Tax Recalculation

Includes All Schedules and
Worksheets for Tax Years
1996, 1997 and 1998

General Information

Recent legislation made changes to the calculation of tax on capital gains and interest and dividends. These changes are retroactive to 1996. If any of the changes reduce the amount of tax for 1996, 1997 or 1998, you may recalculate your tax for those prior years. The difference in the amount of tax previously paid and the amount of tax calculated under the new legislation may be claimed in several ways. You may apply for a refund of the difference or it may be claimed as a credit on the succeeding years tax form.

This booklet contains the forms necessary to recalculate your tax under the new provisions. Included are revised Schedules B, C-2 and D (retitled B-CGT, C-2-CGT and D-CGT, respectively) for 1996, 1997 and 1998 based on the new provisions. Also, included is Schedule CGT, Capital Gains Tax Recalculation to be used to calculate the difference between the tax previously paid and the amount of tax due under the new provisions. Schedule CGT is also used to claim the difference in tax due as a refund or a credit on the succeeding years tax return. If you have not filed an original return for 1996, 1997 or 1998, the Schedules B-CGT, C-2-CGT and D-CGT in this booklet may be used to properly calculate your tax under the new provisions.

Who May File Schedule CGT?

You may file Schedule CGT if you previously filed a tax return for 1996, 1997 or 1998 and you wish to recalculate the tax paid on capital gains. Schedule CGT may be used to adjust any changes to deductions, tax and credits due to the recalculation of tax on capital gains. Do **not** use Schedule CGT if you are reporting changes to your return that are not related to the recalculation of tax on capital gains. If you need to report changes other than those related to the recalculation of tax on capital gains you must file Form 33X, Amended Income Tax Return.

Can Fiduciaries, Corporate Trusts, and Clubs and Other Organizations File Schedule CGT?

Yes. Taxpayers who file Form 2 (Fiduciary Income Tax Return), Form 3F (Income Tax Return of Corporate Trust), or Form 3M (Income Tax Return for Clubs and Other Organizations not Engaged in Business for Profit) should file a pro forma version of Schedule CGT. When filing a pro forma version of Schedule CGT, and Schedules B-CGT, C-2-CGT and D-CGT, if applicable, be sure to take into account the new capital gains tax provisions in effect for 1996, 1997 and 1998.

Are There Any Legal Limitations on When I Can Request a Refund?

Taxpayers who choose to recalculate their capital gains tax for previous tax years and obtain their capital gains tax benefit through the abatement option, must do so within the statute of limitations for abatements. For each tax year, the abatement must be filed "within three years from the last day for filing the return ..., without regard to any extension ..., within two years from the date the tax was assessed or deemed to be assessed, or within one year from the date that the tax was paid, whichever is later." G.L. c. 62C, § 37. For example, taxpayers who choose to recalculate their capital gains tax on their 1996 tax returns which were filed on or before April 15, 1997, will have until April 18, 2000 to file for an abatement.

However, taxpayers who choose to recalculate their prior tax years' capital gains and claim their tax benefit as a credit on their 1999 tax return may do so within the statute of limitations for their 1999 tax return. For example, taxpayers who recalculate their capital gains tax on their 1996 tax return and claim any resulting tax benefit as a credit on their 1999 tax year may do so even if they file for extension. The capital gains tax credit is treated as a 1999 tax credit, regardless of the fact that it is generated from a 1996, 1997 or 1998 recalculation of capital gains. The credit is claimed on line 36 of the 1999 Massachusetts Form 1 or line 41 of the Form 1-NR/PY.

Do I Have to Recalculate for More Than One Year?

Yes. If you recalculate your tax for one year and have already filed a return for a succeeding year you must recalculate for that succeeding year. If the result of the recalculation is an additional amount due it will be applied to any refund requested. If the result is still an overpayment the net amount will be issued to you. If the result is an additional amount due submit a check for that amount. If the result of the recalculation is an additional amount due and you have requested that overpayments from previous periods be applied as credits to succeeding years you must submit a check for that amount. If submitting a payment write your Social Security number in the lower left corner of your check and make your check payable to: Commonwealth of Massachusetts.

Line by Line Instructions for Schedule CGT

Use Part 1 of Schedule CGT only if you have already filed a tax return for 1996 and you are recalculating your tax on capital gains. Part 2 should only be used if you have already filed a tax return for 1997 and you are recalculating your tax on capital gains. Use Part 3 of Schedule CGT only if you have already filed a tax return for 1998 and you are recalculating your tax on capital gains.

Certain lines are addressed in detail. Those lines without instructions are considered to be self-explanatory.

Note: If you are recalculating your tax on capital gains for more than one year, once you elect to claim the difference in recalculated tax as a refund you may only claim on this schedule any recalculated amounts for succeeding years as a refund. If you wish to claim an amount from a succeeding year as a credit on the following years tax return, you must file a separate Schedule CGT to do so.

Name

Print the full name of each person filing the return exactly as the names appeared on the original return.

Address

Print your current mailing address. If you have moved since filing your original return for the tax year that you are recalculating, please check the box after the Zip code space in the address section.

Social Security Number(s)

Enter your Social Security number. If married, you must list your spouse's Social Security number, regardless of your filing status. If filing jointly, list your Social Security numbers in the order that they appeared on your original return.

Part 1. 1996 Capital Gains Tax Recalculation

Lines 1 through 6 (columns A through C).

Enter all negative amounts in (parentheses).

Column A. Amount on original return: Enter the amounts you originally reported on your return in column A. If DOR later notified you that corrections or adjustments have been made, enter those adjusted amounts in column A instead of the amounts you reported on your original return.

Column B. Recalculated amount: Enter in column B any recalculated amounts. For any item that you are not changing, enter the amount from column A in column B.

Column C. Net change — increase or (decrease): Enter your increase or (decrease) in column C from lines 1 through 6.

Line 1. 5.95% Tax

Enter your tax on 5.95% income from your previously filed 1996 tax return.

Amounts entered in line 1, columns A and B, should be taken from the following line items.

Form 1: Use line 20.

Form 1-NR/PY: Use line 24.

Line 2. Total 12% Tax

Amounts entered in line 2, column A should be taken from the following line items.

Form 1: Use line 21.

Form 1-NR/PY: Use line 25.

If you are recalculating your 12% tax on interest, dividends and certain capital gains, multiply the amount from your 1996 Schedule B-CGT, line 26 by .12 (12%) and enter the result in line 2, column B.

Note: Columns A and B cannot be less than "0."

Line 3. Total 5% tax.

Amounts entered in line 3, column A should be taken from the following line items.

Form 1: Use line 22.

Form 1-NR/PY: Use line 26.

If you are recalculating your 5% tax on long-term capital gains enter the amount from your 1996 Schedule D-CGT, line 17 in line 3, column B.

Note: Columns A and B cannot be less than "0."

Line 4. Total Tax

Combine lines 1, 2 and 3 and enter the totals in columns A, B and C. If you are claiming No Tax Status, enter "0" in column B and check the No Tax Status box. Attach Mass. AGI worksheet with your calculations.

Note: Columns A and B cannot be less than "0."

Line 5. Credits

Enter the total credits including Limited Income Credit, Income Tax Paid to Other State or Jurisdiction, Long-Term Capital Gains Tax Credit Applied to 12% Income, Energy Credit, Lead Paint Credit and Economic Opportunity Area Credit.

The amount entered in column A should be the amount stated on your original return.

Enter the amount of credits from the following worksheet in column B.

Schedule CGT, Part 1, Line 5 Worksheet — Adjustments to Credits

A. Enter the amount from Form 1, line 27
or Form 1-NR/PY, line 32.

B. Enter the amount from Form 1 or
Form 1-NR/PY, Schedule B-1, line 11.

C. Subtract item B from item A.

D. Adjustments to credits other than
Long-Term Capital Gains tax credit applied
to 12% income, if any. Otherwise, enter "0". ...

E. Combine item C and item D. Enter result
here and in Schedule CGT, Part 1, line 5,
column B.

Note: The Limited Income Credit, if applicable, must be taken before any other credits. The total of all credits may not exceed your total tax on line 4.

Line 7. Voluntary Contributions

Enter the amount from your original return in line 7.

Line 9. Massachusetts Income Tax Withheld

Enter the amount of Massachusetts state withholding from your Form(s) W-2, W-2G, 1099-G and 1099-R, if applicable.

The amount entered should be the amount stated on your original return or as adjusted by DOR.

Line 10. 1995 Overpayment Applied to Your 1996 Estimated Tax

Enter in line 10 the exact amount of any 1995 overpayment you applied to your 1996 estimated taxes. Amounts entered in line 10 should be taken from the following line items.

Form 1: Use line 32.

Form 1-NR/PY: Use line 37.

Line 11. 1996 Estimated Tax Payments

Enter in line 11 the amount of estimated tax payments claimed on your 1996 income tax return. Amounts entered in line 11 should be taken from the following line items.

Form 1: Use line 33.

Form 1-NR/PY: Use line 38.

Line 12. Payments Made With Extension

Enter in line 12 the amount of any payment made with Form M-4868, Extension of Time to File. Amounts entered in line 12 should be taken from the following line items.

Form 1: Use line 34.

Form 1-NR/PY: Use line 39.

Line 13. Other Payments

Enter the total of your other payments. These include payments made with your original return and other payments such as additional payments made for the tax year or payments made with a previously filed amended return. Do not include interest and penalties previously paid.

Line 14. Total Payments

Add lines 9 through 13 in column B.

Line 15. Overpayment, if Any, on Original Return

Enter the amount of overpayment claimed on your original return or the amount of overpayment as adjusted by DOR.

Line 16. Net Payments

Subtract line 15 from line 14.

Line 17. Amount of Your Overpayment

If line 16 is greater than line 8, subtract line 8 from line 16.

You may elect to have the overpayment in line 17 refunded to you or you may elect to claim it as a credit on your 1997 tax return. If you are electing to claim the amount in line 17 as a refund, check box 17a. Complete Parts 2 and/or 3, if applicable. You must also sign this schedule on page 3.

If you are electing to claim the amount in line 17 as a credit on your 1997 income tax return, check box 17b. If you have previously filed a 1997 income tax return, enter the amount from line 17 in Part 2, line 18 and complete Part 2.

If you are electing to claim the amount in line 17 as a credit on your 1997 income tax return check box 17b. If you have not previously filed a 1997 income tax return, include the amount from line 17 in your 1997 Form 1, line 31 or Form 1-NR/PY, line 36 and enter CGT to the left of line 31 or line 36. Be sure to sign this schedule on page 3. You must also enclose this schedule and any applicable Schedules B-CGT, C-2-CGT and D-CGT with your 1997 tax return and mail it to the applicable address listed on the return for a refund or balance due. If you fail to include Schedule CGT and any applicable Schedule B-CGT, C-2-CGT and D-CGT with your 1997 return, your claim of credit will be disallowed.

Line 18. Additional Tax Due

If line 16 is less than line 8, subtract line 16 from line 8.

Part 2. 1997 Capital Gains Tax Recalculation**Lines 1 through 11 (columns A through C).**

Enter all negative amounts in (parentheses).

Column A. Amount on original return: Enter the amounts you originally reported on your return in column A. If DOR later notified you that corrections or adjustments have been made, enter those adjusted amounts in column A instead of the amounts you reported on your original return.

Column B. Recalculated amount: Enter in column B any recalculated amounts. For any item that you are not changing, enter the amount from column A in column B.

Column C. Net change — increase or (decrease): Enter your increase or (decrease) in column C from lines 1 through 11.

Line 1. 5.95% Income

Enter 5.95% income from your previously filed 1997 tax return.

Amounts entered in line 1, columns A and B, should be taken from the following line items.

Form 1: Use line 10.

Form 1-NR/PY: Use line 12.

Line 2. Total Deductions

Amounts entered in line 2, column A should be taken from the following line items.

Form 1: Use line 16.

Form 1-NR/PY: Use line 20.

If you are recalculating your college tuition deduction, enter your recalculated total deductions in column B. Otherwise, enter the amount from column A in column B.

Note: Columns A and B cannot be less than "0."

Line 4. Total Exemptions

Enter your tax total exemptions from your previously filed 1997 tax return.

Amounts entered in line 4, columns A and B, should be taken from the following line items.

Form 1: Use line 18.

Form 1-NR/PY: Use line 22.

If line 4, column B exceeds line 3, column B, see the instructions for Schedule B-CGT, line 25, and Schedule D-CGT, line 22 for information on applying excess exemptions.

Line 5. 5.95% Income After Exemptions

Subtract line 4 from line 3. Columns A and B cannot be less than "0."

Line 6. 5.95% Tax

Enter your tax on 5.95% income from your previously filed 1997 tax return.

Amounts entered in line 6, column A, should be taken from the following line items.

Form 1: Use line 20.

Form 1-NR/PY: Use line 24.

If line 5, column B is different from line 5, column A, multiply the amount in line 5, column B by .0595 and enter the result in line 6, column B. Otherwise, enter the amount from line 6, column A in line 6, column B.

Line 7. Total 12% Tax

Amounts entered in line 7, column A should be taken from the following line items.

Form 1: Use line 21.

Form 1-NR/PY: Use line 25.

If you are recalculating your 12% tax on interest, dividends and certain capital gains, multiply the amount from your 1997 Schedule B-CGT, line 26 by .12 (12%) and enter the result in line 7, column B.

Note: Columns A and B cannot be less than "0."

Line 8. Total 5% and 4% Tax

Amounts entered in line 8, column A should be taken from the following line items.

Form 1: Use line 22.

Form 1-NR/PY: Use line 26.

If you are recalculating your 5% and 4% tax on long-term capital gains enter the amount from your 1997 Schedule D-CGT, line 25 in line 8, column B.

Note: Columns A and B cannot be less than "0."

Line 9. Total Tax

Combine lines 6, 7 and 8 and enter the totals in columns A, B and C. If you are claiming No Tax Status, enter "0" in column B and check the No Tax Status box. Attach Mass. AGI worksheet with your calculations.

Note: Columns A and B cannot be less than "0."

Line 10. Credits

Enter the total credits including Limited Income Credit, Income Tax Paid to Other State or Jurisdiction, Long-Term Capital Gains Tax Credit Applied to 12% Income, Energy Credit, Lead Paint Credit, Economic Opportunity Area Credit, Full Employment Credit and Septic Credit.

The amount entered in column A should be the amount stated on your original return.

Enter the amount of credits from the following worksheet in column B.

Schedule CGT, Part 2, Line 10 Worksheet — Adjustments to Credits

- A.** Enter the amount from Form 1, line 27
or Form 1-NR/PY, line 32. _____
- B.** Enter the amount from Form 1 or
Form 1-NR/PY, Schedule B-1, line 11 _____
- C.** Subtract item B from item A. _____
- D.** Adjustments to credits other than
Long-Term Capital Gains tax credit applied
to 12% income, if any. Otherwise, enter "0". _____
- E.** Combine item C and item D. Enter result
here and in Schedule CGT, Part 2, line 10,
column B. _____

Note: The Limited Income Credit, if applicable, must be taken before any other credits. The total of all credits may not exceed your total tax on line 9.

Line 12. Voluntary Contributions

Enter the amount from your original return in line 12.

Line 14. Massachusetts Income Tax Withheld

Enter the amount of Massachusetts state withholding from your Form(s) W-2, W-2G, 1099-G and 1099-R, if applicable.

The amount entered should be the amount stated on your original return or as adjusted by DOR.

Line 15. 1996 Overpayment Applied to Your 1997 Estimated Tax

Enter in line 15 the exact amount of any 1996 overpayment you applied to your 1997 estimated taxes. Amounts entered in line 15 should be taken from the following line items.

Form 1: Use line 32.

Form 1-NR/PY: Use line 37.

Line 16. 1997 Estimated Tax Payments

Enter in line 16 the amount of estimated tax payments claimed on your 1997 income tax return. Amounts entered in line 16 should be taken from the following line items.

Form 1: Use line 33.

Form 1-NR/PY: Use line 38.

Line 17. Payments Made With Extension

Enter in line 17 the amount of any payment made with Form M-4868, Extension of Time to File. Amounts entered in line 17 should be taken from the following line items.

Form 1: Use line 35.

Form 1-NR/PY: Use line 40.

Line 18. Capital Gains Tax Credit

Enter the amount from Part 1, line 17 **only** if Part 1, line 17b is checked. Otherwise, enter "0."

Line 19. Other Payments

Enter the total of your other payments. These include the Earned Income Credit, payments made with your original return and other payments such as additional payments made for the tax year or payments made with a previously filed amended return. Do not include interest and penalties previously paid.

Line 20. Total Payments

Add lines 14 through 19 in column B.

Line 21. Overpayment, if Any, on Original Return

Enter the amount of overpayment claimed on your original return or the amount of overpayment as adjusted by DOR.

Line 22. Net Payments

Subtract line 21 from line 20.

Line 23. Amount of Your Overpayment

If line 22 is greater than line 13, subtract line 13 from line 22.

You may elect to have the overpayment in line 23 refunded to you or you may elect to claim it as a credit on your 1998 tax return. If you are electing to claim the amount in line 23 as a refund, check box 23a. Complete Part 3, if applicable. You must also sign this schedule on page 3.

If you are electing to claim the amount in line 23 as a credit on your 1998 income tax return, check box 23b. If you have previously filed a 1998 income tax return enter the amount from line 23 in Part 3, line 18 and complete Part 3.

If you are electing to claim the amount in line 23 as a credit on your 1998 income tax return, check box 23b. If you have not previously filed a 1998 income tax return include the amount from line 23 in Form 1, line 31 or Form 1-NR/PY, line 36 and enter CGT to the left of line 31 or line 36. Be sure to sign this schedule on page 3. You must also enclose this schedule and any applicable Schedules B-CGT, C-2-CGT and D-CGT with your 1998 tax return and mail it to the applicable address listed on the return for a refund or balance due. If you fail to include Schedule CGT and any applicable Schedules B-CGT, C-2-CGT and D-CGT with your 1998 return your claim of credit will be disallowed.

Line 24. Additional Tax Due

If line 22 is less than line 13, subtract line 22 from line 13.

Part 3. 1998 Capital Gains Tax Recalculation

Lines 1 through 11 (columns A through C). Enter all negative amounts in (parentheses).

Column A. Amount on original return: Enter the amounts you originally reported on your return in column A. If DOR later notified you that corrections or adjustments have been made, enter those adjusted amounts in column A instead of the amounts you reported on your original return.

Column B. Recalculated amount: Enter in column B any recalculated amounts. For any item that you are not changing, enter the amount from column A in column B.

Column C. Net change — increase or (decrease): Enter your increase or (decrease) in column C from lines 1 through 11.

Line 1. 5.95% Income

Enter 5.95% income from your previously filed 1998 tax return.

Amounts entered in line 1, columns A and B, should be taken from the following line items.

Form 1: Use line 10.

Form 1-NR/PY: Use line 12.

Line 2. Total Deductions

Amounts entered in line 2, column A should be taken from the following line items.

Form 1: Use line 16.

Form 1-NR/PY: Use line 20.

If you are recalculating your college tuition deduction, enter your recalculated total deductions in column B. Otherwise, enter the amount from column A in column B.

Note: Columns A and B cannot be less than "0."

Line 4. Total Exemptions

Enter your tax total exemptions from your previously filed 1998 tax return.

Amounts entered in line 4, columns A and B, should be taken from the following line items.

Form 1: Use line 18.

Form 1-NR/PY: Use line 22.

If line 4, column B exceeds line 3, column B, see the instructions for Schedule B-CGT, line 24, and Schedule D-CGT, line 21 for information on applying excess exemptions.

Line 5. 5.95% Income After Exemptions

Subtract line 4 from line 3. Columns A and B cannot be less than "0."

Line 6. 5.95% Tax

Enter your tax on 5.95% income from your previously filed 1998 tax return.

Amounts entered in line 6, column A, should be taken from the following line items.

Form 1: Use line 20.

Form 1-NR/PY: Use line 24.

If line 5, column B is different from line 5, column A, multiply the amount in line 5, column B by .0595 and enter the result in line 6, column B. Otherwise, enter the amount from line 6, column A in line 6, column B.

Line 7. Total 12% Tax

Amounts entered in line 7, column A should be taken from the following line items.

Form 1: Use line 21.

Form 1-NR/PY: Use line 25.

If you are recalculating your 12% tax on interest, dividends and certain capital gains multiply the amount from your 1998 Schedule B-CGT, line 25 by .12 (12%) and enter the result in line 7, column B.

Note: Columns A and B cannot be less than "0."

Line 8. Total 5%, 4% and 3% Tax

Amounts entered in line 8, column A should be taken from the following line items.

Form 1: Use line 22.

Form 1-NR/PY: Use line 26.

If you are recalculating your 5%, 4% and 3% tax on long-term capital gains enter the amount from your 1998 Schedule D-CGT, line 24 in line 8, column B.

Note: Columns A and B cannot be less than "0."

Line 9. Total Tax

Combine lines 6, 7 and 8 and enter the totals in columns A, B and C. If you are claiming No Tax Status, enter "0" in column B and check the No Tax Status box. Attach Mass. AGI worksheet with your calculations.

Note: Columns A and B cannot be less than "0."

Line 10. Credits

Enter the total credits including Limited Income Credit, Income Tax Paid to Other State or Jurisdiction, Long-Term Capital Gains Tax Credit Applied to 12% Income, Energy Credit, Lead Paint Credit, Economic Opportunity Area Credit, Full Employment Credit and Septic Credit.

The amount entered in column A should be the amount stated on your original return.

Enter the amount of credits from the following worksheet in column B.

Schedule CGT, Part 3, Line 10 Worksheet — Adjustments to Credits

- A.** Enter the amount from Form 1, line 27
or Form 1-NR/PY, line 32 _____
- B.** Enter the amount from Form 1 or
Form 1-NR/PY, Schedule B-1, line 11 _____
- C.** Subtract item B from item A. _____
- D.** Adjustments to credits other than
Long-Term Capital Gains tax credit applied
to 12% income, if any. Otherwise, enter "0". _____
- E.** Combine item C and item D. Enter result
here and in Schedule CGT, Part 2, line 10,
column B. _____

Note: The Limited Income Credit, if applicable, must be taken before any other credits. The total of all credits may not exceed your total tax on line 9.

Line 12. Voluntary Contributions

Enter the amount from your original return in line 12.

Line 14. Massachusetts Income Tax Withheld

Enter the amount of Massachusetts state withholding from your Form(s) W-2, W-2G, 1099-G and 1099-R, if applicable.

The amount entered should be the amount stated on your original return or as adjusted by DOR.

Line 15. 1997 Overpayment Applied to Your 1998 Estimated Tax

Enter in line 15 the exact amount of any 1997 overpayment you applied to your 1998 estimated taxes. Amounts entered in line 15 should be taken from the following line items.

Form 1: Use line 32.

Form 1-NR/PY: Use line 37.

Line 16. 1998 Estimated Tax Payments

Enter in line 16 the amount of estimated tax payments claimed on your 1998 income tax return. Amounts entered in line 16 should be taken from the following line items.

Form 1: Use line 33.

Form 1-NR/PY: Use line 38.

Line 17. Payments Made With Extension

Enter in line 17 the amount of any payment made with Form M-4868, Extension of Time to File. Amounts entered in line 17 should be taken from the following line items.

Form 1: Use line 35.

Form 1-NR/PY: Use line 40.

Line 18. Capital Gains Tax Credit

Enter the amount from Part 2, line 23 **only** if Part 2, line 23b is checked. Otherwise, enter "0."

Line 19. Other Payments

Enter the total of your other payments. These include the Earned Income Credit, payments made with your original return and other payments such as additional payments made for the tax year or payments made with a previously filed amended return. Do not include interest and penalties previously paid.

Line 20. Total Payments

Add lines 14 through 19 in column B.

Line 21. Overpayment, if Any, on Original Return

Enter the amount of overpayment claimed on your original return or the amount of overpayment as adjusted by DOR.

Line 22. Net Payments

Subtract line 21 from line 20.

Line 23. Amount of Your Overpayment

If line 22 is greater than line 13, subtract line 13 from line 22.

You may elect to have the overpayment in line 23 refunded to you or you may elect to claim it as a credit on your 1999 tax return. If you are electing to claim the amount in line 23 as a refund, check box 23a. You must also sign this schedule on page 3. To request a refund, mail Schedule CGT and any applicable Schedules B-CGT, C-2-CGT and D-CGT to Massachusetts Department of Revenue, PO Box 7031, Boston MA 02204.

If you are electing to claim the amount in line 23 as a credit on your 1999 income tax return check box 23b. If you have not previously filed a 1999 income tax return, include the amount from line 23 in Form 1, line 36 or Form 1-NR/PY, line 41. Be sure to sign this schedule. You must also enclose this schedule and any applicable Schedules B-CGT, C-2-CGT and D-CGT with your 1999 tax return and mail it to the applicable address listed on the return for a refund or balance due. If you fail to include Schedule CGT and any applicable Schedules B-CGT, C-2-CGT and D-CGT with your 1999 return, your claim of credit will be disallowed.

If you are electing to claim the amount in line 23 as a credit on your 1999 income tax return, check box 23b. If you have previously filed a 1999 income tax return, enter the amount from line 23 in Form 33X, line 23.

Line 24. Additional Tax Due

If line 22 is less than line 13, subtract line 22 from line 13.

Instructions for 1996 Schedule B-CGT

Note: See the instruction booklet for the form you filed for instructions to Schedule B-CGT, lines 1 through 17.

Line 18. Subtotal Interest and Dividends and Certain Capital Gains and Losses

Combine lines 14, 15, 16 and 17. If a positive amount, omit line 19 and enter the amount from line 18 in line 20. However, if the total is a loss and the amount in Schedule D-CGT, line 10, column A is a positive amount, complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 19 and Schedule D-CGT, Line 11 on page 11. If Schedule B-CGT, line 18 is a loss and the amount in Schedule D-CGT, line 10, column A is "0" or less, omit lines 19–25, enter "0" in line 26, and enter the amount from line 18 on line 27. Also, enter "0" in Schedule CGT, Part 1, line 2.

Line 19. Short-Term Capital Losses Applied Against Long-Term Capital Gains

Complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 19 and Schedule D-CGT, Line 11 on page 11 only if Schedule B-CGT, line 18 is a loss and the amount in Schedule D-CGT, line 10, column A is a positive amount.

Line 20. Subtotal Interest and Dividends and Certain Capital Gains and Losses

Combine line 18 and line 19. If the total is a loss, omit lines 21–25, enter "0" on line 26, and enter the amount from line 20 on line 27. Also, enter "0" in Schedule CGT, Part 1, line 2. If line 20 is a positive amount and the amount in Schedule D-CGT, line 8, column A is a loss, complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 21 and Schedule D-CGT, Line 9 on page 11. If line 20 is a positive amount and the amount in Schedule D-CGT, line 8, column A is "0" or greater, omit line 21 and enter the amount from line 20 in line 22.

Line 21. Long-Term Capital Losses Applied Against Short-Term Capital Gains

Complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 21 and Schedule D-CGT, Line 9 on page 11 only if Schedule B-CGT, line 20 is a positive amount and the amount in Schedule D-CGT, line 8, column A is a loss.

Line 22. Net Interest and Dividends and Certain Capital Gains and Losses

Subtract line 21 from line 20. If line 22 is "0," omit lines 23–25 and enter "0" in lines 26 and 27. Also, enter "0" in Schedule CGT, Part 1, line 2.

Line 23. Long-Term Gain Deduction

If there is no entry in line 10, enter "0." If line 10 shows a gain, enter 50% of line 10 less 50% of losses in lines 15, 16, 17 and 21, but not less than "0."

Example: Jack has a long-term capital gain on collectibles of \$1,000 entered in line 10 and line 14. He does not have any other 12% interest income and dividend income. Jack also has a short-term capital loss of \$100 entered in line 15 and a prior year short-term unused

loss of \$200 entered in line 17. Jack enters \$350 in line 23: \$500 (50% of \$1,000) minus \$150 (50% of \$300) = \$350.

Line 24. Adjusted Gross 12% Interest, Dividends and Certain Capital Gains

Subtract line 23 from line 22. Not less than "0."

Line 25. Excess Exemptions

Enter the amount from item E of the 1996 Schedule B-CGT, Line 25 and Schedule D-CGT, Line 15 Worksheet on page 11 of the instructions. Only if single, head of household or married filing jointly and Form 1, line 18 is greater than Form 1, line 17 or Form 1-NR/PY, line 22 is greater than Form 1-NR/PY, line 21.

Line 26. Total Taxable 12% Interest, Dividends and Certain Capital Gains

Subtract line 25 from line 24. Not less than "0." Enter the result here.

Line 27. Available Short-Term Losses for Carryover in 1997

Enter the amount from line 20, only if it is a loss. If line 20 is not completed, enter the amount from line 18, only if it is a loss.

Instructions for 1996 Schedule D-CGT

Note: See the instruction booklet for the form you filed for instructions to Schedule D-CGT, lines 1 through 7.

Line 8. Subtotal

Add line 6 and line 7.

If the amount in Schedule D-CGT, line 8 is a gain, and Schedule B-CGT, line 18 is a positive amount, omit Schedule D-CGT, lines 9–11 and enter the amount from Schedule D-CGT, line 8 in Schedule D-CGT, line 12.

If the amount in Schedule D-CGT, line 8 is a loss, and Schedule B-CGT, line 20 is a positive amount, complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 21 and Schedule D-CGT, Line 9 on page 11.

If the amount in Schedule D-CGT, line 8 is a gain, and Schedule B-CGT, line 18 is a loss, omit Schedule D-CGT, line 9, enter the amount from Schedule D-CGT, line 8 on Schedule D-CGT, line 10 and complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 19 and Schedule D-CGT, Line 11 on page 11.

If the amount in Schedule D-CGT, line 8 is a loss, and Schedule B-CGT, line 18 is a loss, omit Schedule D-CGT, line 9, enter the amount from Schedule D-CGT, line 8 in Schedule D-CGT, line 10, omit Schedule D-CGT, lines 11–17, enter the amount from Schedule D-CGT, line 10 in Schedule D-CGT, line 18, and enter "0" on Schedule CGT, Part 1, line 3.

Line 9. Long-Term Capital Losses Applied Against Short-Term Capital Gains

Complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 21 and Schedule D-CGT, Line 9 on page 11 only if Schedule B-CGT, line 20 is a positive amount and the amount in Schedule D-CGT, line 8, column

A is a loss. When completing the worksheet, be sure to enter all losses as a positive amount.

Line 10. Subtotal

Combine line 8 and line 9 and enter the result in line 10.

If the amount in Schedule D-CGT, line 10 is a gain and Schedule B-CGT, line 18 is a loss, complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 19 and Schedule D-CGT, Line 11 on page 11.

If the amount in Schedule D-CGT, line 10 is a gain and Schedule B-CGT, line 20 is a gain, omit Schedule D-CGT, line 11 and enter the amount from Schedule D-CGT, line 10 in Schedule D-CGT, line 12.

If the amount in Schedule D-CGT, line 10 is a loss, omit Schedule D-CGT, lines 11–13, enter “0” in Schedule D-CGT, line 14, omit Schedule D-CGT, lines 15–17, enter the amount from Schedule D-CGT, line 10 in Schedule D-CGT, line 18, and enter “0” in Schedule CGT, Part 1, line 3.

Line 11. Short-Term Capital Losses Applied Against Long-Term Capital Gains

Complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 19 and Schedule D-CGT, Line 11 on page 11 only if Schedule B-CGT, line 18 is a loss and the amount in Schedule D-CGT, line 10, column A is a positive amount. When completing the worksheet, be sure to enter all losses as a positive amount.

Line 12. Subtotal

Subtract line 11 from line 10 and enter the result in line 12. Not less than “0.”

If Schedule D-CGT, line 12 is “0,” skip Schedule D-CGT, line 13, enter “0” in Schedule D-CGT, line 14, omit Schedule D-CGT, lines 15–18 and enter “0” in Schedule CGT, Part 1, line 3.

Line 13. Allowable Deductions From Your Trade or Business

Generally, taxpayers may not use excess 5.95% trade or business deductions to offset other income. However, where the taxpayer files a Massachusetts Schedule C or Schedule E, Massachusetts law allows such offsets if the following requirements are met: the excess 5.95% deductions must be adjusted gross income deductions allowed under MGL Ch. 62, sec. 2(d); and these excess deductions may only be used to offset other income which is effectively connected with the active conduct of a trade of business or any other income allowed under IRC, sec. 469(d)(1)(B) to offset losses from passive activities. Enclose Schedule C-2-CGT with your return.

Enter in line 13 the amount from Schedule C-2-CGT, line 14.

Line 14. Subtotal

Subtract line 13 from line 12. Not less than “0.”

If all amounts in Schedule D-CGT, line 14 are “0,” omit Schedule D-CGT, lines 15–18 and enter “0” in Schedule CGT, Part 1, line 3.

Line 15. Excess Exemptions

Enter in line 15 the amount from item H of the 1996 Schedule B-CGT, Line 25 and Schedule D-CGT, Line 15 Worksheet on page 11

of the instructions. Only if single, head of household or married filing jointly and Form 1, line 18 is greater than Form 1, line 17 or Form 1-NR/PY, line 22 is greater than Form 1-NR/PY, line 21.

Line 16. Adjusted Long-Term Capital Gains and Losses

Subtract line 15 from line 14, and enter the result in line 16. Not less than “0.”

If all amounts in Schedule D-CGT, line 16 are “0,” omit Schedule D-CGT, lines 17 and 18 and enter “0” in Schedule CGT, Part 1, line 3.

Line 17. Tax on Capital Gains

Multiply the amount in line 16, by .05 (5%) and enter the result in line 17. Not less than “0.” Also enter this amount in Schedule CGT, Part 1, line 3.

Line 18. Available Losses for Carryover in 1997

Enter in line 18, column A the amount from line 10, column A, only if it is a loss. Also enter this amount in 1997 Schedule D-CGT, line 8, column A.

1996 No Tax Status and Limited Income Credit

1. Total 5.95% income (from Form 1, line 10 or Form 1-NR/PY, line 12)
2. Adjustments to income (enter the total of Schedule Y, lines 1, 2 and 3)
3. Adjusted 5.95% income. Subtract line 2 from line 1. Do not enter less than “0”
4. Interest exemption used (from Form 1, the smaller of line 5a or line 5b, or from Form 1-NR/PY, the smaller of line 7a or line 7b)
5. Taxable 12% interest, dividends and certain capital gains (from Schedule B-CGT, line 24). If there is no entry in Schedule B-CGT, line 24, or if not filing Schedule B-CGT, enter the amount from Form 1, line 21a or Form 1-NR/PY, line 25a. Not less than “0”
6. 5% income. From Schedule D-CGT, line 14. Not less than “0”
7. Nonresidents, enter the amount from Form 1-NR/PY, line 14e. Part-year residents, enter income earned while a nonresident
8. Massachusetts Adjusted Gross Income (AGI). Add lines 3 through 7.

If you are single and the total in line 8 is \$8,000 or less, you qualify for No Tax Status. Check box on Schedule CGT, Part 1, line 4 and continue on Schedule CGT. If you are single but do not qualify for No Tax Status and your total in line 8 is \$14,000 or less, go to line 11 to see if you qualify for the Limited Income Credit.

9. If married and filing a joint return, multiply the number of dependents (from Form 1, line 2b or from Form 1-NR/PY, line 4b) by \$1,000 and add \$13,450 to that amount. If head of household, multiply the number of dependents (from Form 1, line 2b or from Form 1-NR/PY, line 4b) by \$1,000 and add \$12,120 to that amount. If line 8 is less than or equal to line 9, you qualify for No Tax Status. Check box on Schedule CGT, Part 1, line 4 and continue on Schedule CGT.

Worksheet continues on next page ...

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- 10.** If you do not qualify for No Tax Status and you are married and filing a joint return, multiply the number of dependents (from Form 1, line 2b or from Form 1-NR/PY, line 4b) by \$1,750 and add \$23,538 to that amount. If head of household, multiply the number of dependents (from Form 1, line 2b or from Form 1-NR/PY, line 4b) by \$1,750 and add \$21,210 to that amount. Enter the result here. If line 8 is less than or equal to line 10, you may qualify for the Limited Income Credit. Go to line 11
- 11.** No Tax Status threshold. Enter \$8,000 if single. If married filing a joint return or head of household, enter the amount from line 9
- 12.** Income for Limited Income Credit. Subtract line 11 from line 8.
- 13.** Total tax (from Form 1, line 24 or Form 1-NR/PY, line 28)
- 14.** Tax for Limited Income Credit. Multiply line 12 by 10% (.10)
- 15.** Limited Income Credit. If line 13 is smaller than line 14, you are not eligible for this credit. If line 13 is larger than line 14, subtract line 14 from line 13 and enter the result here and in Schedule CGT, Part 1, line 5

Note: Before completing the 1996 Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 19 and Schedule D-CGT, Line 11, or the 1996 Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 21 and Schedule D-CGT, Line 9, you must have completed Schedule B-CGT, line 18 and Schedule D-CGT, line 8.

1996 Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 19 and Schedule D-CGT, Line 11 (complete only if Schedule B-CGT, line 18 is a loss and Schedule D-CGT, line 10, column A is a positive amount). Enter all losses as positive amounts.

- A.** Enter amount from Schedule B-CGT, line 18 as a positive amount
- B.** Enter the gain from Schedule D-CGT, line 10, column A. Otherwise, enter "0"
- C.** If item A is smaller than or equal to item B, enter item A here and in Schedule D-CGT, line 11, column A and in Schedule B-CGT, line 19. If item A is larger than item B, enter item B here and in Schedule D-CGT, line 11, column A and in Schedule B-CGT, line 19

1996 Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 21 and Schedule D-CGT, Line 9 (complete only if Schedule B-CGT, line 20 is a positive amount and Schedule D-CGT, line 8, column A is a loss). Enter all losses as a positive amount.

- A.** Enter amount from Schedule B-CGT, line 20

Worksheet continues on next column ...

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- B.** Enter the loss from Schedule D-CGT, line 8, column A as a positive amount. Otherwise, enter "0"
- C.** If item A is smaller than or equal to item B, enter item A here and in Schedule D-CGT, line 9, column A and in Schedule B-CGT, line 21. If item A is larger than item B, enter item B here and in Schedule D-CGT, line 9, column A and in Schedule B-CGT, line 21

1996 Schedule B-CGT, Line 25 and Schedule D-CGT, Line 15 Worksheet — Exemptions from 12% Income and Long-Term Capital Gain Income (only if single, head of household, or married filing jointly)

If your total exemptions in Form 1, line 18 or Form 1-NR/PY, line 22 are more than the amount of your 5.95% income after deductions in Form 1, line 17 or Form 1-NR/PY, line 21, the excess may be applied against all your income taxed at 12%. Any remaining excess amount may then be applied against all your long-term capital gain income. (If you are the beneficiary of a Massachusetts trust or estate, see the instructions for Form 1, line 19 or Form 1-NR/PY, line 23.) Complete the following worksheet only if Form 1, line 17 is less than line Form 1, line 18 or Form 1-NR/PY, line 21 is less than Form 1-NR/PY, line 22 to determine if you qualify for the excess exemption. Enter all losses as "0."

- A.** Enter amount from Schedule B-CGT, line 24. Not less than "0"
- B.** Enter amount from Form 1, line 18 or Form 1-NR/PY, line 22
- C.** Enter amount from Form 1, line 17 or Form 1-NR/PY, line 21
- D.** Subtract item C from item B. If "0" or less, you do not qualify for this exemption. Omit remainder of worksheet.
- E.** Excess exemptions applied against 12% income. If item A is larger than item D, enter item D here and in Schedule B-CGT, line 25 and omit remainder of worksheet. If item D is equal to or larger than item A, enter item A here and in Schedule B-CGT, line 25. Complete items F through H
- F.** Subtract item E from item D. If "0" you have no remaining excess exemptions. Omit remainder of worksheet.
- G.** Enter Schedule D-CGT, line 14, column A. Not less than "0"
- H.** Excess exemptions applied against long-term capital gain income taxed at 5%. If item G is larger than item F, enter item F here and in Schedule D-CGT, line 15, column A and omit remainder of worksheet. If item F is equal to or larger than item G, enter item G here and in Schedule D-CGT, line 15, column A.

Instructions for 1997 Schedule B-CGT

Note: See the instruction booklet for the form you filed for instructions to Schedule B-CGT, lines 1 through 16.

Line 17. Unused Prior Short-Term Losses for Years Beginning After 1981

If you recalculated your capital gains tax for 1996, enter in line 17 the amount from 1996 Schedule B-CGT, line 27. If you did not recalculate your capital gains tax for 1996, enter in line 17 the amount from 1996 Schedule B, line 22.

Line 18. Subtotal Interest and Dividends and Certain Capital Gains and Losses

Combine lines 14, 15, 16 and 17. If a positive amount, omit line 19 and enter the amount from line 18 in line 20. However, if the total is a loss and any amount in Schedule D-CGT, line 17, columns A or B is a positive amount, complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 19 and Schedule D-CGT, Line 18 on page 15. If Schedule B-CGT, line 18 is a loss and all the amounts in Schedule D-CGT, line 17, columns A or B is "0" or less, omit lines 19–25, enter "0" in line 26, and enter the amount from line 18 on line 27. Also, enter "0" in Schedule CGT, Part 2, line 7.

Line 19. Short-Term Capital Losses Applied Against Long-Term Capital Gains

Complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 19 and Schedule D-CGT, Line 18 on page 15 only if Schedule B-CGT, line 18 is a loss and any amount in Schedule D-CGT, line 17, columns A or B is a positive amount.

Line 20. Subtotal Interest and Dividends and Certain Capital Gains and Losses

Combine line 18 and line 19. If the total is a loss, omit lines 21–25, enter "0" on line 26, and enter the amount from line 20 on line 27. Also, enter "0" in Schedule CGT, Part 2, line 7. If line 20 is a positive amount and any amount in Schedule D-CGT, line 15, columns A or B is a loss, complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 21 and Schedule D-CGT, Line 16 on page 15. If line 20 is a positive amount and any amount in Schedule D-CGT, line 15, columns A or B is "0" or greater, omit line 21 and enter the amount from line 20 in line 22.

Line 21. Long-Term Capital Losses Applied Against Short-Term Capital Gains

Complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 21 and Schedule D-CGT, Line 16 on page 15 only if Schedule B-CGT, line 20 is a positive amount and any amount in Schedule D-CGT, line 15, columns A or B is a loss.

Line 22. Net Interest and Dividends and Certain Capital Gains and Losses

Subtract line 21 from line 20. If line 22 is "0," omit lines 23–25 and enter "0" in lines 26 and 27. Also, enter "0" in Schedule CGT, Part 2, line 7.

Line 23. Long-Term Gain Deduction

If there is no entry in line 10, enter "0." If line 10 shows a gain, enter 50% of line 10 less 50% of losses in lines 15, 16, 17 and 21, but not less than "0."

Example: Jack has a long-term capital gain on collectibles of \$1,000 entered in line 10 and line 14. He does not have any other 12% interest income and dividend income. Jack also has a short-term capital loss of \$100 entered in line 15 and a prior year short-term unused loss of \$200 entered in line 17. Jack enters \$350 in line 23: \$500 (50% of \$1,000) minus \$150 (50% of \$300) = \$350.

Line 24. Adjusted Gross 12% Interest, Dividends and Certain Capital Gains

Subtract line 23 from line 22. Not less than "0."

Line 25. Excess Exemptions

Enter the amount from item E of the 1997 Schedule B-CGT, Line 25 and Schedule D-CGT, Line 22 Worksheet on page 16 of the instructions. Only if single, head of household or married filing jointly and Form 1, line 18 is greater than Form 1, line 17 or Form 1-NR/PY, line 22 is greater than Form 1-NR/PY, line 21.

Line 26. Total Taxable 12% Interest, Dividends and Certain Capital Gains

Subtract line 25 from line 24. Not less than "0." Enter the result here.

Line 27. Available Short-Term Losses for Carryover in 1998

Enter the amount from line 20, only if it is a loss. If line 20 is not completed, enter the amount from line 18, only if it is a loss.

Instructions for 1997 Schedule D-CGT

Note: See the instruction booklet for the form you filed for instructions to Schedule D-CGT, lines 1 through 7. Also, for Schedule D-CGT, lines 9–12, refer to 1997 Schedule D instructions, lines 8–11. Please note that line references in 1997 Schedule D, lines 8–11, should be increased by one number when referring to Schedule D-CGT.

Line 13. Subtotal

Subtract line 12, column A from line 11, column A and enter the result in line 13, column A. Subtract line 12, column B from line 11, column B and enter the result in line 13, column B.

If any amount in Schedule D-CGT, line 13, columns A or B is a gain and any amount in Schedule D-CGT, line 13, columns A or B is a loss, complete the Long-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule D-CGT, Line 14 on page 15.

If any amount in Schedule D-CGT, line 13 is a gain, no other amount in Schedule D-CGT, line 13 is a loss, and Schedule B-CGT, line 20 is a positive amount, omit Schedule D-CGT, lines 14–18 and enter the amount from Schedule D-CGT, line 13 in Schedule D-CGT, line 19.

If any amount in Schedule D-CGT, line 13 is a loss, no other amount in Schedule D-CGT, line 13 is a gain, and Schedule B-CGT, line 20 is a positive amount, omit Schedule D-CGT, line 14, enter the amount from Schedule D-CGT, line 13 in Schedule D-CGT, line 15

and complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 21 and Schedule D-CGT, Line 16 on page 15.

If any amount in Schedule D-CGT, line 13 is a gain, no other amount in Schedule D-CGT, line 13 is a loss, and Schedule B-CGT, line 18 is a loss, omit Schedule D-CGT, lines 14–16, enter the amount from Schedule D-CGT, line 13 on Schedule D-CGT, line 17 and complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 19 and Schedule D-CGT, Line 18 on page 15.

If any amount in Schedule D-CGT, line 13 is a loss, no other amount in Schedule D-CGT, line 13 is a gain, and Schedule B-CGT, line 18 is a loss, omit Schedule D-CGT, lines 14–16, enter the amount from Schedule D-CGT, line 13 in Schedule D-CGT, line 17, omit Schedule D-CGT, lines 18–25, enter the amount from Schedule D-CGT, line 17 in Schedule D-CGT, line 26, and enter “0” on Schedule CGT, Part 2, line 8.

Line 14. Long-Term Capital Loss Applied Against Long-Term Capital Gains

Complete the Long-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule D-CGT, Line 14 on page 15 only if any amount in Schedule D-CGT, line 13, columns A or B is a gain and any amount in Schedule D-CGT, line 13, columns A or B is a loss.

This worksheet was designed to implement recent legislation that provides for the netting of long-term gains and losses. First, gains and losses within each holding period are netted. For example, 5% gains are applied against 5% losses and 4% gains are applied against 4% losses. Then, any net losses within a particular holding period can be applied against net gains within other holding periods, beginning with the highest tax rate and applying any remaining losses against the next highest tax rate. For example, a 4% loss is applied to 5% gains.

If you need additional information on how to net long-term gains against long-term losses, call DOR’s Customer Service Bureau at (617) 887-MDOR.

Line 15. Subtotal

Combine line 13, column A with line 14, column A and enter the result in line 15, column A. Combine line 13, column B with line 14, column B and enter the result in line 15, column B.

Note: After completing Schedule D-CGT, line 14, all amounts in Schedule D-CGT, line 15, columns A and B should be either “0” and/or gain(s) or “0” and/or loss(es). If all amounts in Schedule D-CGT, line 15 are “0,” omit Schedule D-CGT, lines 16–20, enter “0” in Schedule D-CGT, line 21, omit the remainder of Schedule D-CGT and enter “0” in Schedule CGT, Part 2, line 8.

If any amount in line Schedule D-CGT, line 15 is a loss, and Schedule B-CGT, line 20 is a positive amount, complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 21 and Schedule D-CGT, Line 16 on page 15.

If any amount in Schedule D-CGT, line 15 is a gain and Schedule B-CGT, line 20 is a positive amount, omit Schedule D-CGT, lines 16–18 and enter the amount from Schedule D-CGT, line 15 in Schedule D-CGT, line 19.

If any amount in Schedule D-CGT, line 15 is a gain and Schedule B-CGT, line 18 is a loss, omit Schedule D-CGT, line 16, enter the amount from Schedule D-CGT, line 15 in Schedule D-CGT, line 17 and complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 19 and Schedule D-CGT, Line 18 on page 15.

If any amount in Schedule D-CGT, line 15 is a loss and Schedule B-CGT, line 18 is a loss, omit Schedule D-CGT, line 16, enter the amount from Schedule D-CGT, line 15 in Schedule D-CGT, line 17, omit Schedule D-CGT, lines 18–25, enter the amount from Schedule D-CGT, line 17 in Schedule D-CGT, line 26, and enter “0” on Schedule CGT, Part 2, line 8.

Line 16. Long-Term Capital Losses Applied Against Short-Term Capital Gains

Complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 21 and Schedule D-CGT, Line 16 on page 15 only if Schedule B-CGT, line 20 is a positive amount and any amount in Schedule D-CGT, line 15, column A or B is a loss. When completing the worksheet, be sure to enter all losses as a positive amount.

Line 17. Subtotal

Combine line 15, column A with line 16, column A and enter the result in line 17, column A. Combine line 15, column B with line 16, column B and enter the result in line 17, column B.

If any amount in Schedule D-CGT, line 17 is a gain and Schedule B-CGT, line 18 is a loss, complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 19 and Schedule D-CGT, Line 18 on page 15.

If any amount in Schedule D-CGT, line 17 is a gain and Schedule B-CGT, line 20 is a gain, omit Schedule D-CGT, line 18 and enter the amount from Schedule D-CGT, line 17 in Schedule D-CGT, line 19.

If any amount in Schedule D-CGT, line 17 is a loss, omit Schedule D-CGT, lines 18–20, enter “0” in Schedule D-CGT, line 21, omit Schedule D-CGT, lines 22–25, enter the amount from Schedule D-CGT, line 17 in Schedule D-CGT, line 26, and enter “0” in Schedule CGT, Part 2, line 8.

Line 18. Short-Term Capital Losses Applied Against Long-Term Capital Gains

Complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 19 and Schedule D-CGT, Line 18 on page 15 only if Schedule B-CGT, line 18 is a loss and any amount in Schedule D-CGT, line 17, column A or B is a positive amount. When completing the worksheet, be sure to enter all losses as a positive amount.

Line 19. Subtotal

Subtract line 18, column A from line 17, column A and enter the result in line 19, column A. Not less than “0.” Subtract line 18, column B from line 17, column B and enter the result in line 19, column B. Not less than “0.”

If all amounts in Schedule D-CGT, line 19 are “0,” skip Schedule D-CGT, line 20, enter “0” in Schedule D-CGT, line 21, omit Schedule D-CGT, lines 22–26 and enter “0” in Schedule CGT, Part 2, line 8.

Line 20. Allowable Deductions From Your Trade or Business

Generally, taxpayers may not use excess 5.95% trade or business deductions to offset other income. However, where the taxpayer files a Massachusetts Schedule C or Schedule E, Massachusetts law allows such offsets if the following requirements are met: the excess 5.95% deductions must be adjusted gross income deductions allowed under MGL Ch. 62, sec. 2(d); and these excess deductions may only be used to offset other income which is effectively connected with the active conduct of a trade or business or any other income allowed under IRC, sec. 469(d)(1)(B) to offset losses from passive activities. Enclose Schedule C-2-CGT with your return.

Enter in line 20, column A the amount from Schedule C-2-CGT, line 14. Enter in line 20, column B the amount from Schedule C-2-CGT, line 16.

Line 21. Subtotal

Subtract line 20, column A from line 19, column A and enter the result in line 21, column A. Not less than "0." Subtract line 20, column B from line 19, column B and enter the result in line 21, column B. Not less than "0."

If all amounts in Schedule D-CGT, line 21 are "0," omit Schedule D-CGT, lines 22–26 and enter "0" in Schedule CGT, Part 2, line 8.

22. Excess Exemptions

Enter in line 22, column A the amount from item H of the 1997 Schedule B-CGT, Line 25 and Schedule D-CGT, Line 22 Worksheet on page 16 of the instructions. Only if single, head of household or married filing jointly and Form 1, line 18 is greater than Form 1, line 17 or Form 1-NR/PY, line 22 is greater than Form 1-NR/PY, line 21. Enter in line 22, column B the amount from item K of the 1997 Schedule B-CGT, Line 25 and Schedule D-CGT, Line 22 Worksheet on page 16 of the instructions. Only if single, head of household or married filing jointly and Form 1, line 18 is greater than Form 1, line 17 or Form 1-NR/PY, line 22 is greater than Form 1-NR/PY, line 21.

Line 23. Adjusted Long-Term Capital Gains and Losses

Subtract line 22, column A from line 21, column A and enter the result in line 23, column A. Not less than "0." Subtract line 22, column B from line 21, column B and enter the result in line 23, column B. Not less than "0."

If all amounts in Schedule D-CGT, line 23 are "0," omit Schedule D-CGT, lines 24–26 and enter "0" in Schedule CGT, Part 2, line 8.

Line 24. Tax on Capital Gains by Holding Period

Multiply the amount in line 23, column A by .05 (5%) and enter the result in line 24, column A. Not less than "0." Multiply the amount in line 23, column B by .04 (4%) and enter the result in line 24, column B. Not less than "0."

Line 25. Total Tax on Long-Term Capital Gains and Losses

Add line 24A and line 24B. Enter result here and on Schedule CGT, Part 2, line 8, not less than "0."

Line 26. Available Losses for Carryover in 1998

Enter in line 26, column A the amount from line 17, column A, only if it is a loss. Also enter this amount in 1998 Schedule D-CGT, line 7,

column A. Enter in line 26, column B the amount from line 17, column B, only if it is a loss. Also enter this amount in 1998 Schedule D-CGT, line 7, column B.

1997 No Tax Status and Limited Income Credit

1. Total 5.95% income (from Form 1, line 10 or Form 1-NR/PY, line 12)
2. Adjustments to income (enter the total of Schedule Y, lines 1, 2, 3 and 4)
3. Adjusted 5.95% income. Subtract line 2 from line 1. Do not enter less than "0"
4. Interest exemption used (from Form 1, the smaller of line 5a or line 5b, or from Form 1-NR/PY, the smaller of line 7a or line 7b)
5. Taxable 12% interest, dividends and certain capital gains (from Schedule B-CGT, line 24). If there is no entry in Schedule B-CGT, line 24, or if not filing Schedule B-CGT, enter the amount from Form 1, line 21a or Form 1-NR/PY, line 25a. Not less than "0"
6. 5% and 4% income. The total of Schedule D-CGT, line 21, columns A and B. Not less than "0"
7. Nonresidents, enter the amount from Form 1-NR/PY, line 14e. Part-year residents, enter income earned while a nonresident
8. Massachusetts Adjusted Gross Income (AGI). Add lines 3 through 7.

If you paid tuition to a two- or four-year college for yourself or a dependent, you may be entitled to a deduction equal to the amount by which the tuition payments, less any scholarships, grants or financial aid received, exceed 25% of line 8. See Schedule Y, line 6 worksheet in instructions.

If you are single and the total in line 8 is \$8,000 or less, you qualify for No Tax Status. Check box on Schedule CGT, Part 2, line 9 and continue on Schedule CGT. If you are single but do not qualify for No Tax Status and your total in line 8 is \$14,000 or less, go to line 11 to see if you qualify for the Limited Income Credit.

9. If married and filing a joint return, multiply the number of dependents (from Form 1, line 2b or from Form 1-NR/PY, line 4b) by \$1,000 and add \$12,860 to that amount. If head of household, multiply the number of dependents (from Form 1, line 2b or from Form 1-NR/PY, line 4b) by \$1,000 and add \$11,665 to that amount. If line 8 is less than or equal to line 9, you qualify for No Tax Status. Check box on Schedule CGT, Part 2, line 9 and continue on Schedule CGT.
10. If you do not qualify for No Tax Status and you are married and filing a joint return, multiply the number of dependents (from Form 1, line 2b or from Form 1-NR/PY, line 4b) by \$1,750 and add \$22,505 to that amount. If head of household, multiply the number of dependents (from Form 1, line 2b or from Form 1-NR/PY, line 4b) by \$1,750 and add \$20,414 to that amount. Enter the result here. If line 8 is less than or equal to line 10, you may qualify for the Limited Income Credit. Go to line 11
11. No Tax Status threshold. Enter \$8,000 if single. If married filing a joint return or head of household, enter the amount from line 9
12. Income for Limited Income Credit. Subtract line 11 from line 8.
13. Total tax (from Form 1, line 24 or Form 1-NR/PY, line 28)

Worksheet continues on next page ...

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14. Tax for Limited Income Credit. Multiply line 12 by 10% (.10)

15. Limited Income Credit. If line 13 is smaller than line 14, you are not eligible for this credit. If line 13 is larger than line 14, subtract line 14 from line 13 and enter the result here and Schedule CGT, Part 2, line 10

1997 Long-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule D-CGT, Line 14
(complete only if any amount in Schedule D-CGT, line 13, columns A or B is a gain and any amount in Schedule D-CGT, line 13, columns A or B is a loss)

Part 1. Complete only if you have a gain in Schedule D-CGT, line 13, column A. Otherwise, enter "0" in items A–D and go to Part 2.

A. Enter any gain from Sched. D-CGT, line 13, column A.

B. Enter any loss from Schedule D-CGT, line 13, column B as positive figure. If Schedule D-CGT, line 13, column B is "0" or greater, enter "0".

C. If item A is smaller than or equal to item B, enter item A here. If item A is larger than item B, enter item B here

D. Subtract item C from item A. Enter result here and go to Part 3

Part 2. Complete only if you have a gain in Schedule D-CGT, line 13, column B. Otherwise, enter "0" in items E–H and go to Part 3.

E. Enter any gain from Sched. D, line 13, column B.

F. Enter any loss from Schedule D-CGT, line 13, column A as a positive figure. If Schedule D-CGT, line 13, column A is "0" or greater, enter "0".

G. If item E is smaller than or equal to item F, enter item E here. If item E is larger than item F, enter item F here

H. Subtract item G from item E. Enter result here and go to Part 3

Part 3. Complete only if you have completed Part 1 or Part 2.

I. If Schedule D-CGT line 13, column A is a gain, enter item C here and in Schedule D-CGT, line 14, column A as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 5%. If Schedule D-CGT line 13, column A is a loss, enter item G here and in Schedule D-CGT, line 14, column A as a positive amount. This is the amount of long-term losses from assets held for more than one year but not more than two years applied to offset other long-term capital gains

J. If Schedule D-CGT line 13, column B is a gain, enter item G here and in Schedule D-CGT, line 14, column B as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 4%. If Schedule D-CGT line 13 column B is a loss, enter item C here and in Schedule D-CGT, line 14, column B as a positive amount. This is the amount of long-term losses from assets held for more than two years but not more than three years applied to offset other long-term capital gains

Note: Before completing the 1997 Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 19 and Schedule D-CGT, Line 18, or the 1997 Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 21 and Schedule D-CGT, Line 16, you must have completed Schedule B-CGT, line 18 and Schedule D-CGT, line 15.

1997 Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 19 and Schedule D-CGT, Line 18 (complete only if Schedule B-CGT, line 18 is a loss and any amount in Schedule D-CGT, line 17, column A or B is a positive amount). Enter all losses as positive amounts.

A. Enter amount from Schedule B-CGT, line 18 as a positive amount.

B. Enter any gain from Schedule D-CGT, line 17, column A. Otherwise, enter "0"

C. If item A is smaller than or equal to item B, enter item A here and in Schedule D-CGT, line 18, column A. If item A is larger than item B, enter item B here and in Schedule D-CGT, line 18, column A.

D. Subtract item C from item A. Enter result here. If "0," omit items E and F and complete item G. Otherwise, complete items E through G.

E. Enter any gain from Schedule D-CGT, line 17, column B. Otherwise, enter "0"

F. If item D is smaller than or equal to item E, enter item D here and in Schedule D-CGT, line 18, column B. If item D is larger than item E, enter item E here and in Schedule D-CGT, line 18, column B.

G. Add items C and F. Enter the result here and in Schedule B-CGT, line 19.

1997 Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 21 and Schedule D-CGT, Line 16 (complete only if Schedule B-CGT, line 20 is a positive amount and any amount in Schedule D-CGT, line 15, column A or B is a loss). Enter all losses as a positive amount.

A. Enter amount from Schedule B-CGT, line 20.

B. Enter any loss from Schedule D-CGT, line 15, column A as a positive amount. Otherwise, enter "0"

C. If item A is smaller than or equal to item B, enter item A here and in Schedule D-CGT, line 16, column A. If item A is larger than item B, enter item B here and in Schedule D-CGT, line 16, column A.

D. Subtract item C from item A. Enter result here. If "0," omit items E and F and complete item G. Otherwise, complete items E through G.

E. Enter any loss from Schedule D-CGT, line 15, column B as a positive amount. Otherwise, enter "0"

F. If item D is smaller than or equal to item E, enter item D here and in Schedule D-CGT, line 16, column B. If item D is larger than item E, enter item E here and in Schedule D-CGT, line 16, column B.

G. Add items C and F. Enter the result here and in Schedule B-CGT, line 21.

1997 Schedule B-CGT, Line 25 and Schedule D-CGT, Line 22 Worksheet — Exemptions from 12% Income and Long-Term Capital Gain Income (only if single, head of household, or married filing jointly)

If your total exemptions in Form 1, line 18 or Form 1-NR/PY, line 22 are more than the amount of your 5.95% income after deductions in Form 1, line 17 or Form 1-NR/PY, line 21, the excess may be applied against all your income taxed at 12%. Any remaining excess amount may then be applied against all your long-term capital gain income. (If you are the beneficiary of a Massachusetts trust or estate, see the instructions for Form 1, line 19 or Form 1-NR/PY, line 23.) Complete the following worksheet only if Form 1, line 17 is less than Form 1, line 18 or Form 1-NR/PY, line 21 is less than Form 1-NR/PY, line 22 to determine if you qualify for the excess exemption. Enter all losses as "0."

- A.** Enter amount from Schedule B-CGT, line 24. Not less than "0"
- B.** Enter amount from Form 1, line 18 or Form 1-NR/PY, line 22
- C.** Enter amount from Form 1, line 17 or Form 1-NR/PY, line 21
- D.** Subtract item C from item B. If "0" or less, you do not qualify for this exemption. Omit remainder of worksheet.
- E.** Excess exemptions applied against 12% income. If item A is larger than item D, enter item D here and in Schedule B-CGT, line 25 and omit remainder of worksheet. If item D is equal to or larger than item A, enter item A here and in Schedule B-CGT, line 25. Complete items F through H

Worksheet continues on next column ...

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- F.** Subtract item E from item D. If "0" you have no remaining excess exemptions. Omit remainder of worksheet.
- G.** Enter Schedule D-CGT, line 21, column A. Not less than "0"
- H.** Excess exemptions applied against long-term capital gain income taxed at 5%. If item G is larger than item F, enter item F here and in Schedule D-CGT, line 22, column A and omit remainder of worksheet. If item F is equal to or larger than item G, enter item G here and in Schedule D-CGT, line 22, column A.
- Complete items I through K.
- I.** Subtract H from F. If "0," you have no remaining excess exemptions. Omit remainder of worksheet.
- J.** Enter Schedule D-CGT, line 21, column B. Not less than "0"
- K.** Excess exemptions applied against long-term capital gain income taxed at 4%. If item J is larger than item I, enter item I here and in Schedule D-CGT, line 22, column B. If item I is equal to or larger than item J, enter item J here and in Schedule D-CGT, line 22, column B

Instructions for 1998 Schedule B-CGT

Note: See the instruction booklet for the form you filed for instructions to Schedule B-CGT, lines 1 through 15.

Line 16. Unused Prior Short-Term Losses for Years Beginning After 1981

If you recalculated your capital gains tax for 1997, enter in line 16 the amount from 1997 Schedule B-CGT, line 27. If you did not recalculate your capital gains tax for 1996, enter in line 17 the amount from 1997 Schedule B, line 22.

Line 17. Subtotal Interest and Dividends and Certain Capital Gains and Losses

Combine lines 13, 14, 15 and 16. If a positive amount, omit line 18 and enter the amount from line 17 in line 19. However, if the total is a loss and any amount in Schedule D-CGT, line 16, columns A, B or C is a positive amount, complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 18 and Schedule D-CGT, Line 17 on page 21. If Schedule B-CGT, line 17 is a loss and all the amounts in Schedule D-CGT, line 16, columns A, B or C are "0" or less, omit lines 18–24, enter "0" in line 25, and enter the amount from line 17 on line 26. Also, enter "0" in Schedule CGT, Part 3, line 7.

Line 18. Short-Term Capital Losses Applied Against Long-Term Capital Gains

Complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 18 and Schedule D-CGT, Line 17 on page 21 only if Schedule B-CGT, line 17 is a loss and any amount in Schedule D-CGT, line 16, columns A, B or C is a positive amount.

Line 19. Subtotal Interest and Dividends and Certain Capital Gains and Losses

Combine line 17 and line 18. If the total is a loss, omit lines 20–24, enter "0" on line 25, and enter the amount from line 19 on line 26. Also, enter "0" in Schedule CGT, Part 3, line 7. If line 19 is a positive amount and any amount in Schedule D-CGT, line 14, columns A, B or C is a loss, complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 20 and Schedule D-CGT, Line 15 on page 21. If line 19 is a positive amount and any amount in Schedule D-CGT, line 14, columns A, B or C is "0" or greater, omit line 20 and enter the amount from line 19 in line 21.

Line 20. Long-Term Capital Losses Applied Against Short-Term Capital Gains

Complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 20 and Schedule D-CGT, Line 15 on page 21 only if Schedule B-CGT, line 19 is a positive amount and any amount in Schedule D-CGT, line 14, columns A, B or C is a loss.

Line 21. Net Interest and Dividends and Certain Capital Gains and Losses

Subtract line 20 from line 19. If line 21 is "0," omit lines 22–24 and enter "0" in lines 25 and 26. Also, enter "0" in Schedule CGT, Part 3, line 7.

Line 22. Long-Term Gain Deduction

If there is no entry in line 9, enter "0." If line 9 shows a gain, enter 50% of line 9 less 50% of losses in lines 14, 15, 16 and 20, but not less than "0."

Example: Jack has a long-term capital gain on collectibles of \$1,000 entered in line 9 and line 13. He does not have any other interest income (other than interest from Massachusetts banks) and dividend income. Jack also has a short-term capital loss of \$100 entered in line 14 and a prior year short-term unused loss of \$200 entered in line 16. Jack enters \$350 in line 22: \$500 (50% of \$1,000) minus \$150 (50% of \$300) = \$350.

Line 23. Adjusted Gross 12% Interest, Dividends and Certain Capital Gains

Subtract line 22 from line 21. Not less than "0."

Line 24. Excess Exemptions

Enter the amount from item E of the 1998 Schedule B-CGT, Line 24 and Schedule D-CGT, Line 21 Worksheet on page 21 of the instructions. Only if single, head of household or married filing jointly and Form 1, line 18 is greater than Form 1, line 17 or Form 1-NR/PY, line 22 is greater than Form 1-NR/PY, line 21.

Line 25. Total Taxable 12% Interest, Dividends and Capital Gains

Subtract line 24 from line 23. Not less than "0." Enter the result here.

Line 26. Available Short-Term Losses for Carryover in 1999

Enter the amount from line 19, only if it is a loss. If line 19 is not completed, enter the amount from line 17, only if it is a loss.

Instructions for 1998 Schedule D-CGT

Note: See the instruction booklet for the form you filed for instructions to Schedule D-CGT, lines 1 through 6. Also, for Schedule D-CGT, lines 8–11, refer to 1998 Schedule D instructions, lines 7–10. Please note that line references in 1998 Schedule D, lines 7–10, should be increased by one number when referring to Schedule D-CGT.

Line 12. Subtotal

Subtract line 11, column A from line 10, column A and enter the result in line 12, column A. Subtract line 11, column B from line 10, column B and enter the result in line 12, column B. Subtract line 11, column C from line 10, column C and enter the result in line 12, column C.

If any amount in Schedule D-CGT, line 12, columns A, B or C is a gain and any amount in Schedule D-CGT, line 12, columns A, B or C is a loss, complete the Long-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule D-CGT, Line 13 on page 20.

If any amount in Schedule D-CGT, line 12 is a gain, no other amount in Schedule D-CGT, line 12 is a loss, and Schedule B-CGT, line 19 is a positive amount, omit Schedule D-CGT, lines 13–17 and enter the amount from Schedule D-CGT, line 12 in Schedule D-CGT, line 18.

If any amount in Schedule D-CGT, line 12 is a loss, no other amount in Schedule D-CGT, line 12 is a gain, and Schedule B-CGT, line 19 is a positive amount, omit Schedule D-CGT, line 13, enter the amount

from Schedule D-CGT, line 12 in Schedule D-CGT, line 14 and complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 20 and Schedule D-CGT, Line 15 on page 21.

If any amount in Schedule D-CGT, line 12 is a gain, no other amount in Schedule D-CGT, line 12 is a loss, and Schedule B-CGT, line 17 is a loss, omit Schedule D-CGT, lines 13–15, enter the amount from Schedule D-CGT, line 12 on Schedule D-CGT, line 16 and complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 18 and Schedule D-CGT, Line 17 on page 21.

If any amount in Schedule D-CGT, line 12 is a loss, no other amount in Schedule D-CGT, line 12 is a gain, and Schedule B-CGT, line 17 is a loss, omit Schedule D-CGT, lines 13–15, enter the amount from Schedule D-CGT, line 12 in Schedule D-CGT, line 16, omit Schedule D-CGT, lines 17–24, enter the amount from Schedule D-CGT, line 16 in Schedule D-CGT, line 25, and enter “0” on Schedule CGT, Part 3, line 8.

Line 13. Long-Term Capital Loss Applied Against Long-Term Capital Gains

Complete the Long-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule D-CGT, Line 13 on page 20 only if any amount in Schedule D-CGT, line 12, columns A, B or C is a gain and any amount in Schedule D-CGT, line 12, columns A, B or C is a loss.

This worksheet was designed to implement recent legislation that provides for the netting of long-term gains and losses. First, gains and losses within each holding period are netted. For example, 5% gains are applied against 5% losses, 4% gains are applied against 4% losses and 3% gains are applied against 3% losses. Then, any net losses within a particular holding period can be applied against net gains within other holding periods, beginning with the highest tax rate and applying any remaining losses against the next highest tax rate. For example, a 3% loss is first applied to 5% gains, and any loss still remaining is applied to 4% gains.

If you need additional information on how to net long-term gains against long-term losses, call DOR’s Customer Service Bureau at (617) 887-MDOR.

Line 14. Subtotal

Combine line 12, column A with line 13, column A and enter the result in line 14, column A. Combine line 12, column B with line 13, column B and enter the result in line 14, column B. Combine line 12, column C with line 13, column C and enter the result in line 14, column C.

Note: After completing Schedule D-CGT, line 13, all amounts in Schedule D-CGT, line 14, columns A, B and C should be either “0” and/or gain(s) or “0” and/or loss(es). If all amounts in Schedule D-CGT, line 14 are “0,” omit Schedule D-CGT, lines 15–19, enter “0” in Schedule D-CGT, line 20, omit the remainder of Schedule D-CGT and enter “0” in Schedule CGT, Part 3, line 8.

If any amount in line Schedule D-CGT, 14 is a loss, and Schedule B-CGT, line 19 is a positive amount, complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 20 and Schedule D-CGT, Line 15 on page 21.

If any amount in Schedule D-CGT, line 14 is a gain and Schedule B-CGT, line 19 is a positive amount, omit Schedule D-CGT, lines

15–17 and enter the amount from Schedule D-CGT, line 14 in Schedule D-CGT, line 18.

If any amount in Schedule D-CGT, line 14 is a gain and Schedule B-CGT, line 17 is a loss, omit Schedule D-CGT, line 15, enter the amount from Schedule D-CGT, line 14 in Schedule D-CGT, line 16 and complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 18 and Schedule D-CGT, Line 17 on page 21.

If any amount in Schedule D-CGT, line 14 is a loss and Schedule B-CGT, line 17 is a loss, omit Schedule D-CGT, line 15, enter the amount from Schedule D-CGT, line 14 in Schedule D-CGT, line 16, omit Schedule D-CGT, lines 17–24, enter the amount from Schedule D-CGT, line 16 in Schedule D-CGT, line 25, and enter “0” in Schedule CGT, Part 3, line 8.

Line 15. Long-Term Capital Losses Applied Against Short-Term Capital Gains

Complete the Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 20 and Schedule D-CGT, Line 15 on page 21 only if Schedule B-CGT, line 19 is a positive amount and any amount in Schedule D-CGT, line 14, column A, B or C is a loss. When completing the worksheet, be sure to enter all losses as a positive amount.

Line 16. Subtotal

Combine line 14, column A with line 15, column A and enter the result in line 16, column A. Combine line 14, column B with line 15, column B and enter the result in line 16, column B. Combine line 14, column C with line 15, column C and enter the result in line 16, column C.

If any amount in Schedule D-CGT, line 16 is a gain and Schedule B-CGT, line 17 is a loss, complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 18 and Schedule D-CGT, Line 17 on page 21.

If any amount in Schedule D-CGT, line 16 is a gain and Schedule B-CGT, line 19 is a gain, omit Schedule D-CGT, line 17 and enter the amount from Schedule D-CGT, line 16 in Schedule D-CGT, line 18.

If any amount in Schedule D-CGT, line 16 is a loss, omit Schedule D-CGT, lines 17–19, enter “0” in Schedule D-CGT, line 20, omit Schedule D-CGT, lines 21–24, enter the amount from Schedule D-CGT, line 16 in Schedule D-CGT, line 25, and enter “0” in Schedule CGT, Part 3, line 8.

Line 17. Short-Term Capital Losses Applied Against Long-Term Capital Gains

Complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 18 and Schedule D-CGT, Line 17 on page 21 only if Schedule B-CGT, line 17 is a loss and any amount in Schedule D-CGT, line 16, column A, B or C is a positive amount. When completing the worksheet, be sure to enter all losses as a positive amount.

Line 18. Subtotal

Subtract line 17, column A from line 16, column A and enter the result in line 18, column A. Not less than “0.” Subtract line 17, column B from line 16, column B and enter the result in line 18, column B. Not less than “0.” Subtract line 17, column C from line 16, column C and enter the result in line 18, column C. Not less than “0.”

If all amounts in Schedule D-CGT, line 18 are "0," skip Schedule D-CGT, line 19, enter "0" in Schedule D-CGT, line 20, omit Schedule D-CGT, lines 21–25 and enter "0" in Schedule CGT, Part 3, line 8.

Line 19. Allowable Deductions From Your Trade or Business

Generally, taxpayers may not use excess 5.95% trade or business deductions to offset other income. However, where the taxpayer files a Massachusetts Schedule C or Schedule E, Massachusetts law allows such offsets if the following requirements are met: the excess 5.95% deductions must be adjusted gross income deductions allowed under MGL Ch. 62, sec. 2(d); and these excess deductions may only be used to offset other income which is effectively connected with the active conduct of a trade or business or any other income allowed under IRC, sec. 469(d)(1)(B) to offset losses from passive activities. Enclose Schedule C-2-CGT with your return.

Enter in line 19, column A the amount from Schedule C-2-CGT, line 14. Enter in line 19, column B the amount from Schedule C-2-CGT, line 16. Enter in line 19, column C the amount from Schedule C-2-CGT, line 18.

Line 20. Subtotal

Subtract line 19, column A from line 18, column A and enter the result in line 20, column A. Not less than "0." Subtract line 19, column B from line 18, column B and enter the result in line 20, column B. Not less than "0." Subtract line 19, column C from line 18, column C and enter the result in line 20, column C. Not less than "0."

If all amounts in Schedule D-CGT, line 20 are "0," omit Schedule D-CGT, lines 21–25 and enter "0" in Schedule CGT, Part 3, line 8.

Line 21. Excess Exemptions

Enter in line 21, column A the amount from item H of the 1998 Schedule B-CGT, Line 24 and Schedule D-CGT, Line 21 Worksheet on page 21 of the instructions. Only if single, head of household or married filing jointly and Form 1, line 18 is greater than Form 1, line 17 or Form 1-NR/PY, line 22 is greater than Form 1-NR/PY, line 21. Enter in line 21, column B the amount from item K of the 1998 Schedule B-CGT, Line 24 and Schedule D-CGT, Line 21 Worksheet on page 21 of the instructions. Only if single, head of household or married filing jointly and Form 1, line 18 is greater than Form 1, line 17 or Form 1-NR/PY, line 22 is greater than Form 1-NR/PY, line 21. Enter in line 21, column C the amount from item N of the 1998 Schedule B-CGT, Line 24 and Schedule D-CGT, Line 21 Worksheet on page 21 of the instructions. Only if single, head of household or married filing jointly and Form 1, line 18 is greater than Form 1, line 17 or Form 1-NR/PY, line 22 is greater than Form 1-NR/PY, line 21.

Line 22. Adjusted Long-Term Capital Gains and Losses

Subtract line 21, column A from line 20, column A and enter the result in line 22, column A. Not less than "0." Subtract line 21, column B from line 20, column B and enter the result in line 22, column B. Not less than "0." Subtract line 21, column C from line 20, column C and enter the result in line 22, column C. Not less than "0."

If all amounts in Schedule D-CGT, line 22 are "0," omit Schedule D-CGT, lines 23–25 and enter "0" in Schedule CGT, Part 3, line 8.

Line 23. Tax on Capital Gains by Holding Period

Multiply the amount in line 22, column A by .05 (5%) and enter the result in line 23, column A. Not less than "0." Multiply the amount in

line 22, column B by .04 (4%) and enter the result in line 23, column B. Not less than "0." Multiply the amount in line 22, column C by .03 (3%) and enter the result in line 23, column C. Not less than "0."

Line 24. Total Tax on Long-Term Capital Gains and Losses

Add line 23A, line 23B and line 23C. Enter result here and on Schedule CGT, Part 3, line 8. Not less than "0."

Line 25. Available Losses for Carryover in 1999

Enter in line 25, column A the amount from line 16, column A, only if it is a loss. Also enter this amount in 1999 Schedule D, line 7, column A. Enter in line 25, column B the amount from line 16, column B, only if it is a loss. Also enter this amount in 1999 Schedule D, line 7, column B. Enter in line 25, column C the amount from line 16, column C, only if it is a loss. Also enter this amount in 1999 Schedule D, line 7, column C.

1998 No Tax Status and Limited Income Credit

1. Total 5.95% income (from Form 1, line 10 or Form 1-NR/PY, line 12)
2. Adjustments to income (enter the total of Schedule Y, lines 1 through 5)
3. Adjusted 5.95% income. Subtract line 2 from line 1. Do not enter less than "0"
4. Interest exemption used (from Form 1, the smaller of line 5a or line 5b, or from Form 1-NR/PY, the smaller of line 7a or line 7b)
5. Taxable 12% interest, dividends and certain capital gains (from Schedule B-CGT, line 23). If there is no entry in Schedule B-CGT, line 23, or if not filing Schedule B-CGT, enter the amount from Form 1, line 21a or Form 1-NR/PY, line 25a. Not less than "0"
6. 5%, 4% and 3% income. The total of Schedule D-CGT, line 20, columns A, B and C. Not less than "0"
7. Nonresidents, enter the amount from Form 1-NR/PY, line 14e. Part-year residents, enter income earned while a nonresident
8. Massachusetts Adjusted Gross Income (AGI). Add lines 3 through 7.

If you paid tuition to a two- or four-year college for yourself or a dependent, you may be entitled to a deduction equal to the amount by which the tuition payments, less any scholarships, grants or financial aid received, exceed 25% of line 8. See Schedule Y, line 7 worksheet in instructions.

If you are single and the total in line 8 is \$8,000 or less, you qualify for No Tax Status. Check box on Schedule CGT, Part 3, line 9 and continue on Schedule CGT. If you are single but do not qualify for No Tax Status and your total in line 8 is \$14,000 or less, go to line 11 to see if you qualify for the Limited Income Credit.

9. If married and filing a joint return, multiply the number of dependents (from Form 1, line 2b or from Form 1-NR/PY, line 4b) by \$1,000 and add \$17,160 to that amount. If head of household, multiply the number of dependents (from Form 1, line 2b or from Form 1-NR/PY, line 4b) by \$1,000 and add \$14,985 to that amount. If line 8 is less than or equal to line 9, you qualify for No Tax Status. Check box on Schedule CGT, Part 3, line 9 and continue on Schedule CGT.

Worksheet continues on next page ...

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- 10.** If you do not qualify for No Tax Status and you are married and filing a joint return, multiply the number of dependents (from Form 1, line 2b or from Form 1-NR/PY, line 4b) by \$1,750 and add \$30,030 to that amount. If head of household, multiply the number of dependents (from Form 1, line 2b or from Form 1-NR/PY, line 4b) by \$1,750 and add \$26,224 to that amount. Enter the result here. If line 8 is less than or equal to line 10, you may qualify for the Limited Income Credit. Go to line 11
- 11.** No Tax Status threshold. Enter \$8,000 if single. If married filing a joint return or head of household, enter the amount from line 9
- 12.** Income for Limited Income Credit. Subtract line 11 from line 8.
- 13.** Total tax (from Form 1, line 24 or Form 1-NR/PY, line 28)
- 14.** Tax for Limited Income Credit. Multiply line 12 by 10% (.10)
- 15.** Limited Income Credit. If line 13 is smaller than line 14, you are not eligible for this credit. If line 13 is larger than line 14, subtract line 14 from line 13 and enter the result here and Schedule CGT, Part 3, line 10

1998 Long-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule D-CGT, Line 13 (complete only if any amount in Schedule D-CGT, line 12, columns A, B or C is a gain and any amount in Schedule D-CGT, line 12, columns A, B or C is a loss)

Part 1. Complete only if you have a gain in Schedule D-CGT, line 12, column A. Otherwise, enter "0" in items A–G and go to Part 2.

- A.** Enter any gain from Sched. D-CGT, line 12, column A
- B.** Enter any loss from Schedule D-CGT, line 12, column B as positive figure. If Schedule D-CGT, line 12, column B is "0" or greater, enter "0"
- C.** If item A is smaller than or equal to item B, enter item A here. If item A is larger than item B, enter item B here
- D.** Subtract item C from item A. Enter result here
- E.** If item D is "0," enter "0" in items E–G and go to Part 2. If item D is greater than "0," enter any loss from Schedule D-CGT, line 12, column C as a positive figure. If Schedule D-CGT, line 12, column C is "0" or greater, enter "0"
- F.** If item D is smaller than or equal to item E, enter item D here. If item D is larger than item E, enter item E here
- G.** Subtract item F from item D. Enter result here

Part 2. Complete only if you have a gain in Schedule D-CGT, line 12, column B. Otherwise, enter "0" in items H–P and go to Part 3.

- H.** Enter any gain from Sched. D-CGT, line 12, column B
- I.** Enter any loss from Schedule D-CGT, line 12, column A as a positive figure. If Schedule D-CGT, line 12, column A is "0" or greater, enter "0"

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- J.** If item H is smaller than or equal to item I, enter item H here. If item H is larger than item I, enter item I here
- K.** Subtract item J from item H. Enter result here
- L.** If item K is "0," enter "0" in items L–P and go to Part 3. If item K is greater than "0," enter any loss from Schedule D-CGT, line 12, column C as a positive figure. If Schedule D-CGT, line 12, column C is "0" or greater, enter "0"
- M.** Enter the amount from item F
- N.** Subtract item M from item L. Enter result here
- O.** If item K is smaller than or equal to item N, enter item K here. If item K is larger than item N, enter item N here
- P.** Subtract item O from item K. Enter result here

Part 3. Complete only if you have a gain in Schedule D-CGT, line 12, column C. Otherwise, enter "0" in items Q–AA and go to Part 4.

- Q.** Enter any gain from Schedule D-CGT, line 12, column C
- R.** Enter any loss from Schedule D-CGT, line 12, column A as a positive figure. If Schedule D-CGT, line 12, column A is "0" or greater, enter "0"
- S.** Enter the amount from item J
- T.** Subtract item S from item R. Enter result here
- U.** If item Q is smaller than or equal to item T, enter item Q here. If item Q is larger than item T, enter item T here
- V.** Subtract item U from item Q. Enter result here
- W.** If item V is "0," enter "0" in items W–AA and go to Part 4. If item V is greater than "0," enter any loss from Schedule D-CGT, line 12, column B as a positive figure. If Schedule D-CGT, line 12, column B is "0" or greater, enter "0"
- X.** Enter the amount from item C
- Y.** Subtract item X from item W. Enter result here
- Z.** If item V is smaller than or equal to item Y, enter item V here. If item V is larger than item Y, enter item Y here
- AA.** Subtract item Z from item V. Enter result here

Part 4. Complete only if you have completed Parts 1, 2 or 3.

- BB.** If Schedule D-CGT line 12, column A is a gain, add item C and item F. Enter the result here and in Schedule D-CGT, line 13, column A as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 5%. If Schedule D-CGT line 12, column A is a loss, add item J and item U. Enter the result here and in Schedule D-CGT, line 13, column A as a positive amount. This is the amount of long-term losses from assets held for more than one year but not more than two years applied to offset other long-term capital gains

Worksheet continues on next page ...

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CC. If Schedule D-CGT line 12, column B is a gain, add item J and item O. Enter the result here and in Schedule D-CGT, line 13, column B as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 4%. If Schedule D-CGT line 12, column B is a loss, add item C and item Z. Enter the result here and in Schedule D-CGT, line 13, column B as a positive amount. This is the amount of long-term losses from assets held for more than two years but not more than three years applied to offset other long-term capital gains.

DD. If Schedule D-CGT line 12, column C is a gain, add item U and item Z. Enter the result here and in Schedule D-CGT, line 13, column C as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 3%. If Schedule D-CGT line 12, column C is a loss, add item F and item O. Enter the result here and in Schedule D-CGT, line 13, column C as a positive amount. This is the amount of long-term losses from assets held for more than three years but not more than four years applied to offset other long-term capital gains.

Note: Before completing the 1998 Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 18 and Schedule D-CGT, Line 17, or the 1998 Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 20 and Schedule D-CGT, Line 15, you must have completed Schedule B-CGT, line 17 and Schedule D-CGT, line 14.

1998 Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B-CGT, Line 18 and Schedule D-CGT, Line 17 (complete only if Schedule B-CGT, line 17 is a loss and any amount in Schedule D-CGT, line 16, column A, B or C is a positive amount). Enter all losses as positive amounts.

- A.** Enter amount from Schedule B-CGT, line 17 as a positive amount.
- B.** Enter any gain from Schedule D-CGT, line 16, column A. Otherwise, enter "0"
- C.** If item A is smaller than or equal to item B, enter item A here and in Schedule D-CGT, line 17, column A. If item A is larger than item B, enter item B here and in Schedule D-CGT, line 17, column A.
- D.** Subtract item C from item A. Enter result here. If "0," omit items E through I and complete item J. Otherwise, complete items E through G.
- E.** Enter any gain from Schedule D-CGT, line 16, column B. Otherwise, enter "0"
- F.** If item D is smaller than or equal to item E, enter item D here and in Schedule D-CGT, line 17, column B. If item D is larger than item E, enter item E here and in Schedule D-CGT, line 17, column B.
- G.** Subtract item F from item D. Enter result here. If "0," omit items H and I and complete item J. Otherwise, complete items H and I.
- H.** Enter any gain from Schedule D-CGT, line 16, column C. Otherwise, enter "0"
- I.** If item G is smaller than or equal to item H, enter item G here and in Schedule D-CGT, line 17, column C. If item G is larger than item H, enter item H here and in Schedule D-CGT, line 17, column C.

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J. Add items C, F and I. Enter the result here and in Schedule B-CGT, line 18.

1998 Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B-CGT, Line 20 and Schedule D-CGT, Line 15 (complete only if Schedule B-CGT, line 19 is a positive amount and any amount in Schedule D-CGT, line 14, column A, B or C is a loss). Enter all losses as a positive amount.

- A.** Enter amount from Schedule B-CGT, line 19.
- B.** Enter any loss from Schedule D-CGT, line 14, column A as a positive amount. Otherwise, enter "0"
- C.** If item A is smaller than or equal to item B, enter item A here and in Schedule D-CGT, line 15, column A. If item A is larger than item B, enter item B here and in Schedule D-CGT, line 15, column A.
- D.** Subtract item C from item A. Enter result here. If "0," omit items E through I and complete item J. Otherwise, complete items E through G.
- E.** Enter any loss from Schedule D-CGT, line 14, column B as a positive amount. Otherwise, enter "0"
- F.** If item D is smaller than or equal to item E, enter item D here and in Schedule D-CGT, line 15, column B. If item D is larger than item E, enter item E here and in Schedule D-CGT, line 15, column B.
- G.** Subtract item F from item D. Enter result here. If "0," omit items H and I and complete item J. Otherwise, complete items H through J.
- H.** Enter any loss from Schedule D-CGT, line 14, column C as a positive amount. Otherwise, enter "0"
- I.** If item G is smaller than or equal to item H, enter item G here and in Schedule D-CGT, line 15, column C. If item G is larger than item H, enter item H here and in Schedule D-CGT, line 15, column C.
- J.** Add items C, F and I. Enter the result here and in Schedule B-CGT, line 20.

1998 Schedule B-CGT, Line 24 and Schedule D-CGT, Line 21 Worksheet — Exemptions from 12% Income and Long-Term Capital Gain Income (only if single, head of household, or married filing jointly)

If your total exemptions in line Form 1, line 18 or Form 1-NR/PY, line 22 are more than the amount of your 5.95% income after deductions in Form 1, line 17, or Form 1-NR/PY, line 21 the excess may be applied against all your income taxed at 12%. Any remaining excess amount may then be applied against all your long-term capital gain income. (If you are the beneficiary of a Massachusetts trust or estate, see the instructions for Form 1, line 19 or Form 1-NR/PY, line 23.) Complete the following worksheet only if Form 1, line 17 is less than Form 1, line 18 or Form 1-NR/PY, line 21 is less than Form 1-NR/PY, line 22 to determine if you qualify for the excess exemption. Enter all losses as "0."

- A.** Enter amount from Schedule B-CGT, line 23. Not less than "0"
- B.** Enter amount from Form 1, line 18.
- C.** Enter amount from Form 1, line 17.

Worksheet continues on next page ...

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D. Subtract item C from item B. If "0" or less, you do not qualify for this exemption. Omit remainder of worksheet.

E. Excess exemptions applied against 12% income. If item A is larger than item D, enter item D here and in Schedule B-CGT, line 24 and omit remainder of worksheet. If item D is equal to or larger than item A, enter item A here and in Schedule B-CGT, line 24. Complete items F through H

F. Subtract item E from item D. If "0" you have no remaining excess exemptions. Omit remainder of worksheet.

G. Enter Schedule D-CGT, line 20, column A.
Not less than "0"

H. Excess exemptions applied against long-term capital gain income taxed at 5%. If item G is larger than item F, enter item F here and in Schedule D-CGT, line 21, column A and omit remainder of worksheet. If item F is equal to or larger than item G, enter item G here and in Schedule D-CGT, line 21, column A.
Complete items I through K.

I. Subtract H from F. If "0," you have no remaining excess exemptions. Omit remainder of worksheet.

J. Enter Schedule D-CGT, line 20, column B.
Not less than "0"

K. Excess exemptions applied against long-term capital gain income taxed at 4%. If item J is larger than item I, enter item I here and in Schedule D-CGT, line 21, column B. If item I is equal to or larger than item J, enter item J here and in Schedule D-CGT, line 21, column B
Complete items L through N.

L. Subtract K from I. If "0," you have no remaining excess exemptions. Omit remainder of worksheet.

M. Enter Schedule D-CGT, line 20, column C.
Not less than "0"

N. Excess exemptions applied against long-term capital gain income taxed at 3%. If item M is larger than item L, enter item L here and in Schedule D-CGT, line 21, column C. If item L is equal to or larger than item M, enter item M here and in Schedule D-CGT, line 21, column C